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IV. A. Inclusion in NATO is likely to scale down Spanish demands for US aid somewhat, although Franco can still be expected to request substantial economic assistance. Of more importance, however, is the probability that the Spanish Government will demand a general settlement of outstanding political disputes with other NATO powers before accepting membership. Among the more important issues that may be raised are: continued French hospitality toward Spanish political refugees, including the utilization of Spanish property in France by Spanish emigre groups; the status of Spanish Morocco and Tangier; ownership of Gibraltar; Spanish inclusion in Western European political and economic organizations; and loans from Western European countries to Spain. The number of issues raised by the Spanish Government will depend upon its desire to enter NATO. Present indications are that Franco prefers a bi-lateral agreement with the US, or failing this, some form of Mediterranean Pact, and that he will therefore increase his demands.

IV. B. Inclusion in NATO would probably have a slightly more deleterious effect on Spanish stability than a direct US-Spanish agreement, although criticism by the domestic opposition would be directed less against the US than against the western community in general. Spanish membership in NATO would almost inevitably involve the dispatch of troops abroad, with the consequent weakening of the police power upon which the regime depends. If a rotation policy is followed, troops returning from western Europe, with its freedom and higher living standards, might become politically disaffected. Liberalization by the government in response to domestic or foreign demands is not likely. As the regime has the character of a coalition, any significant liberalization would inevitably strike at the interests of one of the pro-regime groups, and

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threaten the entire fabric of the regime. The absence of any practical alternative to the present coalition limits Franco's domestic maneuverability.

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